

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 7084**

**BILL NUMBER:** SB 225

**NOTE PREPARED:** Jan 22, 2009

**BILL AMENDED:** Jan 22, 2009

**SUBJECT:** Foreclosure and Tenants.

**FIRST AUTHOR:** Sen. Lubbers

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Owner Notification of Tenants*- The bill requires the owner of commercial or residential real property containing a rental unit to notify the tenants if a judgment of foreclosure is entered concerning the property, and permits a tenant to terminate a rental agreement if a judgment of foreclosure is entered against the owner. The bill authorizes a tenant to bring a civil action if the owner does not comply with the notice provisions, and provides that a tenant who terminates a rental agreement early in compliance with the statute does not forfeit the damage deposit due to the early termination, but may still be liable for actual damages.

*Exceptions*- The bill specifies that the notice provisions do not apply to: (1) commercial leases of more than three years; (2) commercial leases in which the tenant has been named as a defendant in the foreclosure action; and (3) real property where a receiver has been appointed. The bill makes other changes and conforming amendments.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** (Revised) *Summary*- Without the proper notification specified above, a tenant would be able to pursue civil action against their land owner. Tenants could also pursue legal action if owners did not return unused damage deposits.

*Court Fee Revenue:* If additional civil actions occur and court fees are collected, revenue to the state General Fund may increase. A civil costs fee of \$100 would be assessed when a civil case is filed, 70% of which

would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court. In addition, some or all of the document storage fee (\$2), automated record keeping fee (\$7), judicial salaries fee (\$18), public defense administration fee (\$3), court administration fee (\$5), and the judicial insurance adjustment fee (\$1) are deposited into the state General Fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Court Fee Revenue:* If additional civil actions occur, local governments would receive revenue from the following sources. The county general fund would receive 27% of the \$100 civil costs fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

**State Agencies Affected:**

**Local Agencies Affected:** Trial courts, city and town courts.

**Information Sources:**

**Fiscal Analyst:** Chris Baker, 317-232-9851.